

Lawtrac E-Billing White Paper – July 2007

One of the wisest decisions a law department can make is to implement an electronic billing solution. Electronic billing creates value in the law department in a variety of ways: dollar savings, improved relationship with outside counsel, plus a number of strategic benefits available from more complete information. As such, the return-on-investment from e-billing is almost always considerable and often outstanding.

One law department that has found this to be true implemented Lawtrac's electronic billing solution in 2004. This NYSE listed entity is an international communications and information technology company serving government and commercial markets in more than 150 countries. This Fortune 1000 company has annual sales of \$3.5 billion and nearly 14,000 employees. Electronic billing—and the related tools and information—has helped them reduce their overall spend while improving collaboration and quality of work from outside counsel. At the same time, the company's legal team has gained the ability to more fully understand law department operations and spending.

Better Bottom Line

This company has been able to cut their overall spend by double digits since 2000. Some of this reduction has been the result of a diminished load (some major cases have settled), but much of it is a direct result of their electronic billing initiatives.

For example, paper invoices make it difficult to determine how much time and money is related to a particular matter or activity. With electronic billing, the company's attorneys—most of whom have worked at law firms and have a good feel for the hourly bill—can easily monitor the costs related to specific tasks. As the office administrator for this legal department puts it, "Our attorneys know what to look for and how long things should take. Once we were able to provide them with easy-to-see information, they know if there's anything they need to challenge."

In addition, the company's legal and administrative staff saves enormous time in reviewing and analyzing the invoices. According to industry expert Rees Morrison of Hildebrandt Consulting, the typical cost for a law department to review a single paper invoice is \$20.83. Because of electronic routing and automatic analysis, this company's cost is a fraction of that.

The electronic review process also allows our company to pay invoices quicker. "Previously, it was hard to process an invoice and pay in less than 30 days," said the office administrator. "Now we turn them around in 72 hours." Many law departments leverage this into negotiating substantial prompt payment discounts with their law firms.

While this company has not negotiated prompt payment discounts per se, they have used the data from Lawtrac's electronic billing module to help negotiate a system of hourly-rate discounts based upon the amount of work the company sends to each firm. At each pre-determined plateau, the company's firms reduce their hourly rates by a pre-set percentage. With Lawtrac's electronic billing module, the company always knows where they are with each firm, and can factor pricing and discounts into their work-assignment decisions.

Better Relationships

The Company has also been able to build stronger relationships with their regular firms. Communication and collaboration is improved as the attorneys all understand better how to work with each other. With a better understanding of the company's operations, the outside firms can provide better work and also alert the company's inside staff to potential risks and issues. At the same time, the company's attorneys are able to build a better understanding of the styles and perspectives of each outside counsel. The result is much more than lower costs; it's a more effective legal function.

In fact, the company's close relationships with its regular firms allow it to eschew a management tool that many law departments feel forced to rely on—outside counsel guidelines. Many law departments subject their law firms to strict outside counsel guidelines, and then count on their electronic billing system to enforce them. It's a function that systems such as Lawtrac do well. At this company however, "we've built a level of trust with our outside counsel," said the office administrator. "And the attorneys who review the bills have enough experience with them to make good judgments without a long list of complicated rules.

"We expect a lot from our regular firms, including a detailed invoice organized by task codes," added the office administrator. "But we look out for them, too." Firms are happy to do more for a lower rate in exchange for more and more predictable business opportunities. Moreover, the firms find value in that the company can make payment so quickly, saving them interest expense and the time and trouble of collection calls (and interrupting status-request calls) that every law firm faces.

Better Information

One thing that Lawtrac's electronic billing module provides is much better insight into the law departments spending—and operational—habits. Regular reports for senior management are easily available anytime. Because the company's law firms provide detailed, task-based data, the law department can instantly gain insight into exactly how much they are spending in any given area. They can run year vs. year comparisons on any number of factors, from the practice area or business unit down to

the specific task. A better understanding of legal spend not only has financial implications, but because legal spend correlates closely with legal issues, it also affords a more complete understanding of legal risks. For example, if a company is spending more on employment litigation this year than last, a smart attorney will ask why. With good data, she may be able to pinpoint the problem—perhaps related to a type of issue or a specific location—and act proactively to solve the problem. Issues can be avoided; limiting exposure and reducing long-term legal spend.

Good information also facilitates good buying decisions. In this law department's case they were able to negotiate a sophisticated system of volume discounts and preferred law firms and implement it easily with electronic billing. Other law departments choose not to be so structured; they can still make better buying decisions by with an improved understanding of what various firms actually charge for various types of services. For example, Firm A may charge a blended rate of \$250 per hour for depositions, while Firm B charges \$275. However, if Firm B typically spends fewer hours on that type of work, they may be a better choice. And it may not be necessary to make Firm B the "officially preferred" firm; the company can simply make an effort to send it that type.

Finally, their electronic billing system has made annual budget season much easier on the law department. Many law departments can only create annual budgets by making estimates based upon the gross spending in the prior year. This company, on the other hand, has much more detailed information about their legal spend, and with this granularity can make much more accurate—and defensible—assumptions about the future.

Conclusion

Many law departments are working hard to do more with less. Lawtrac's electronic billing module can help by allowing law departments and their firms to be more effective while reducing costs. Better information, collaboration and efficiency are the keys. As this office administrator puts it, "Lawtrac gives us the tools we need to get more out of our in-house and outside attorneys."

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